

BEFORE THE SECURITIES COMMISSIONER

STATE OF COLORADO

Case No. XY 15 - CD - 03

**STIPULATION FOR CONSENT CEASE AND DESIST ORDER CONCERNING
BLACK DIAMOND FINANCIAL GROUP LLC AND PATRICK W. M. IMESON**

**IN THE MATTER OF BLACK DIAMOND FINANCIAL GROUP LLC
AND PATRICK W.M. IMESON**

The staff of the Colorado Division of Securities ("Staff") and Respondents Black Diamond Financial Group, LLC ("BDFG"), operating separately and through Patrick W. M. Imeson (collectively referred to as the "Respondents") hereby enter into this Stipulation for Consent Cease and Desist Order in this matter as follows:

1. Pursuant to the authority provided in § 11-51-601, C.R.S., the Staff conducted an investigation into the Respondents' offer and sale of certain securities in Colorado. Based on its investigation, the Staff alleges follows:
 - a. From approximately September 2009 to approximately November 2010, the Respondents engaged in the offer and sale of securities listed below.
 - i. From September 2009 - April 2010, BDFG raised \$6,027,750 from eleven non-Colorado investors in connection with its sales of "management units" of BD Monetization Fund, LLC ("Monetization"). During 2010, BDFG recorded receipt of Structuring fee revenue of \$247,500 from Monetization on its financial records.
 - ii. From September - November 2009, BDFG raised \$537,500 from seven investors (including two Coloradans) in connection with its sales of "units" of Rackwise Funding LLC ("Rackwise"). During 2009 and 2010, BDFG recorded receipt of Investment Placement fee revenue of \$82,500 from a related entity, Rackwise, Inc., on its financial records.
 - iii. From May 2009 - November 2010, BDFG raised \$2,083,739 from six investors (including one Coloradan) in connection with its sales of "Bonds and Warrants" to purchase "Membership Units" of Elkhorn Goldfields, Inc. ("Elkhorn"). During 2010, BDFG initially recorded receipt of Investment Placement fee revenue of \$15,000 from Elkhorn on its financial records
 - b. During 2009 and 2010, although BDFG was not a licensed as a securities broker/dealer, yet received revenue described in related private placement memoranda as Structuring or as Investment Placement fees when effecting securities transactions referenced herein contrary to § 11-51-401 and §§ 11-51-402 C.R.S. *et. seq.*

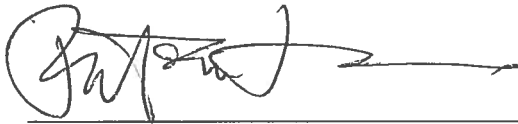
2. The Respondents contend that private placement memoranda prepared in connection with each offering above, together with BDFG financial statements, inaccurately reflected the duties and services provided by BDFG and the related compensation derived by BDFG in connection with such offerings.
 - a. The Respondents claim that BDFG inaccurately reflected receipts as Investment Placement or Structuring fees denoted above, when such receipts actually consisted of payments of expense reimbursements, consulting or management fees.
 - b. The Respondents claim that Mr. Imeson has the sole and exclusive right to manage, control and conduct the affairs Monetization and Rackwise pursuant to each respective operating agreement. Mr. Imeson also has the right to manage, control and conduct the affairs Elkhorn as an executive officer and director of Elkhorn's parent corporation.
 - c. As such, the Respondents claim to be exempt from the requirement to be licensed as a securities broker dealer, consistent with §§ 11-51-401 and §§ 11-51-402, C.R.S. *et. seq.*
3. The Respondents cooperated with the Staff in the investigation of this matter.
4. The Staff and the Respondents desire to resolve this matter without further litigation and, prior to the entry of a final order by the Securities Commissioner, hereby stipulate and agree as follows:
5. The Securities Commissioner for the State of Colorado has jurisdiction over the Respondents and the subject matter of this action.
6. The Respondents agree to the entry of a Consent Order in the form attached hereto as **Exhibit A** and incorporated herein by reference.
7. By entering into this Stipulation, the Respondents neither admit nor deny that the allegations and grounds set forth in this Stipulation are true.
8. By entering into this Stipulation, the Respondents understand that they have the right to notice and a formal hearing pursuant to § 11-51-606(1) and (1.5), C.R.S., the right to be represented by counsel of his choice, the right to present a defense through oral or documentary evidence and to cross-examine witnesses and to findings required by § 11-51-606(1.5), C.R.S., at such hearing. By entering into this Stipulation, the Respondents expressly waive the rights set forth in this Paragraph 8, and further waive the right to seek judicial review of the Cease and Desist Consent Order entered pursuant to this Stipulation.
9. The Respondents acknowledge that they have entered into this Stipulation voluntarily, after the opportunity to consult with counsel of their choice, and with the understanding of the legal consequences of this Stipulation and Consent Cease and Desist Order.
10. The Respondents hereby waive the findings required by § 11-51-606(1.5)(d)(IV), C.R.S.

11. The Respondents further acknowledge that any violation of this Stipulation or Consent Order when issued may constitute grounds for further sanctions and formal proceedings against them for such violation.

The Respondents:

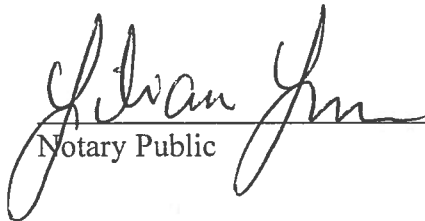
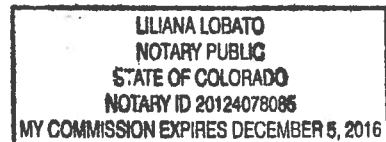
Black Diamond Financial Group, LLC

Patrick W. M. Imeson



Patrick W. M. Imeson, separately and on behalf of BDFG

Subscribed and sworn before me this 26 day of September, 2014 by _____.


Notary Public

THE STAFF OF THE DIVISION OF SECURITIES

By: Rhea Babcock
Rhea Babcock
Chief Investigator

September 29, 2014
Date